

In the matter of,)	Docket No. 03-IEP-01,
		02-REN-1038,
Informational Proceeding and)	03-RPS-1078, and 04-
		DIST-GEN-1
Preparation of the 2004 Integrated)	Comments for the
		COMMITTEE on
Energy Policy Report Update)	
(2004 Energy Report Update))	DRAFT COMMITTEE
)	2004
)	ENERGY REPORT
_____)	

Comments of the Cities of Alameda, Palo Alto and Santa Clara

The Cities of Alameda (Alameda Power and Telecom), Palo Alto and Santa Clara (Silicon Valley Power), hereafter called Cities, commend the California Energy Commission (CEC) for conducting five hearings throughout California, and for allowing the public and stakeholders to offer their comments and views on the Committee's Draft 2004 Update to the Integrated Energy Policy Report (IEPR). The Cities appreciate this opportunity to provide comments to the CEC Committee on the draft report.

The Cities have participated in the development of the draft report and have provided suggestions and comments on its April 5, 2004 Committee Workshop on the Electricity Transmission Line Assessment, and on the Committee's August 23, 2004 Workshop on Upgrading California Transmission System and associated staff draft white papers.¹ The following comments of the Cities are focused specifically on the transmission aspects of the September 2004 Committee Draft Report, document no. 100-04-006CTD. The Cities may individually submit comments on the renewable energy aspects of the Committee Report.

2004 Update Proposed Recommendations, Designing a Comprehensive Transmission Planning Process

The Cities commend the draft recommendations to establish a comprehensive statewide transmission planning process with the CPUC, CA ISO, other key state and federal agencies, local and regional planning agencies, investor-owned and municipal utilities, generation owners and developers, stakeholders and interest groups, and the public. The planning process would assess statewide transmission needs for reliability and economic projects as well as transmission to support Renewable Portfolio Standards (RPS) goals. The Cities endorse such a statewide approach and objective. As pointed out in our

¹ The Cities of Alameda, Palo Alto and Santa Clara also comprise the Bay Area Municipal Transmission Group (BAMx), whose objective is to promote reliable electric supply to and within the Greater San Francisco Bay Area at reasonable cost. BAMx participated and submitted comments to the CEC in the transmission proceedings, CEC Docket 03-IEP-01, during the April 5 and August 23, 2004 workshops.

comments submitted in response to the April 5 transmission workshop, transmission constrained areas and load pockets within the state of California have varying risks of insufficient supply due to insufficient transmission infrastructure. We think the Committee should recognize that there is NO current comprehensive evaluation of economic transmission additions within the CAISO controlled-grid. Although the reliability based CAISO led Participating Transmission Owners' expansion process could be improved, the glaring deficiency is that the economic evaluations for expanding the transmission infrastructure beyond that dictated by meeting the ISO's minimum reliability standards are not done on a systematic basis. This is a hole that the Energy Commission Staff can make a valuable addition building off the economic based parameters contained in the Committee's report.

The Cities also endorse the following comprehensive statewide transmission planning objectives to

- Approve beneficial transmission infrastructure investments that can move into permitting;
- Examine the right-of-way needs for future transmission projects and allow utilities to set aside or bank necessary land for longer periods of time; and
- Assess transmission costs and benefits that recognize the 30-50 year useful life of transmission assets, incorporate methods (quantitatively and qualitatively) to assess the long-term strategic benefits of transmission, and use of an appropriate social discount rate.

Transition Away from Reliability Must Run Contracts

The Cities submitted comments to the CEC in response to the August 23 workshop and white paper stating that "there is a need for the CEC on a systematic basis to consider adding transmission infrastructure to relieve congestion and local reliability (RMR) costs on a systematic basis."² The Committee recommends in its draft report that California re-examine the linkage between the CA ISO transmission expansion process and the Local Area Reliability Study (LARS) and RMR efforts. The Committee has stated its concerns that *"despite the CPUC approving over \$2.34 billion in transmission investments over the last several years, congestion appears to be a persistent and growing problem on the CA ISO grid. While it is unclear exactly why more transmission fixes to congestion have not emerged from the transmission expansion and LARS efforts, the Committee remains concerned that California continues to systematically under invest in transmission infrastructure."* The Cities applaud the Committee in recognizing such concerns and endorse such a recommendation on re-examining the linkage between transmission planning and RMR reduction, particularly on a multi-year and long-term basis. Such examination may very well demonstrate that increasing transmission infrastructure investments, rather than continued short-term reliance on local generation, would be more economic over the long-term planning horizon.

Transmission Planning

² Cities comments dated September 1, 2004 submitted in CEC Docket No. 03-IEP-01.

The Cities again applaud the Committee in recognizing the current transmission planning short-comings as identified in the draft report. The Cities support the report recommendations for seamless, collaborative long-term transmission planning process. The report recommended that such a planning process would have five objectives in recognizing that transmission as having the following characteristics.

- Transmission assets have long economic lives
- Broad benefits distributed beyond the service area
- Strategic benefits of transmission projects
- Use of social discount rate in its planning/evaluation
- Early consideration of non-wires alternatives in the planning process

The Cities endorse these objectives in the planning process. All of the above objectives relate in some way to comparing the economics of various ways to providing electric service. The Energy Commission can have the most impact in ensuring proper economic assessments are made incorporating the above principles by taking the lead in performing the initial economic assessments for stakeholders review.

The Cities also agree that transmission needs to meet Renewable Portfolio Standards goals may “present a new kind of transmission project for the state.” The draft report described barriers to accelerated renewable resource developments and points out that the current transmission interconnection process for new generation is based on single location power plant development. This would result in a sub-optimal transmission expansion plans. The report suggested a phased transmission development plan to accommodate renewables from remote locations. The Cities endorse such an approach and would be most interested in having the CEC investigate innovative ways to overcome the perceived FERC generation interconnection and transmission pricing policies preventing system-wide funding for transmission expansion projects to accommodate desired generation. One method may be to investigate funding and investment mechanisms that do not require FERC approval.

The draft report recognizes that the state has no formal process to plan for transmission corridors well in advance of their need so that land necessary for future transmission lines can be set aside by utilities. We agree with the report recommendation that the state should establish a state transmission corridor planning process. We have already provided comments that such a process would have the greatest benefits particularly in congested urban areas. The Cities have recommended that the state develop a self-supporting funding mechanism and then acquire the rights needed for multi-use infrastructure development in identified corridors.² Again, the Cities endorse the report recommendation that the state develop a policy for designating and banking utility corridors and rights-of-way.

The Cities appreciate the opportunity to comment on the Committee Draft 2004 Energy Report.